



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0055	Title:	Carbon sequestration - ecosystem services leasing or licensing
Primary Sponsor:	Furey, K.	Status:	As Introduced

- | | | |
|---|---|---|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Include in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	(\$643)	(\$1,493)	(\$2,342)	(\$3,192)
State Special Revenue	\$919	\$2,133	\$3,346	\$4,560
Other Funds	\$531	\$1,231	\$1,932	\$2,632
Revenue:				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$919	\$2,133	\$3,346	\$4,560
Other Funds	\$1,768	\$4,103	\$6,438	\$8,772
Net Impact-General Fund Balance	\$643	\$1,493	\$2,342	\$3,192

Description of fiscal impact:

This bill would authorize the Department of Natural Resources & Conservation (DNRC) to lease or license state trust lands for carbon sequestration or other ecosystem services that are compatible with core management programs. This will result in an increase in net revenue to the trust beneficiaries. Additional spending authority is needed in State Special Revenue to cover transaction/verification costs which amount to approximately 30% of the gross revenue from selling carbon sequestration credits.

FISCAL ANALYSIS

Assumptions:

Department of Natural Resources (DNRC)

1. Reforestation projects sequester approximately 1.25 tons of Carbon Dioxide per acre per year (CO₂/ac/yr) while riparian planting projects sequester approximately 2.0 tons CO₂/ac/yr.
2. In a voluntary market such as the United States, carbon credits are selling for about \$4.30/ton CO₂ as commodities on the Chicago Climate Exchange (CCX).

3. For fiscal note purposes, the terms of the lease or license would be for an eight (8) year period.
4. Administrative costs are approximately 30% of the gross revenue and reflect operational costs for transactions, verifications, and monitoring. (Cost information provided by National Carbon Offset Coalition.)
5. Approximately 500 acres per year of reforestation projects for FY 2008 – 2011 would be leased/licensed and packaged for carbon sequestration credits. Also, approximately 100 acres of riparian planting/rehab would be proposed per year for FY 2009 – 2011 and packaged for carbon sequestration credits.
6. Revenue for each project is forecasted to be ongoing for eight (8) years. Therefore, a project sold in FY 2008 would result in an annual carbon credit payment each year from FY 2008 through FY 2015. Likewise, a project sold in 2010 would result in annual payments to the State from FY 2010 through FY 2017.
7. Administrative costs from the leasing/licensing activities will be funded from the Trust Administration Account (TAC). The Common Schools, Montana Tech, and Public Buildings Trusts will be benefited the most from this bill over the next four years, due to the tree planting and reforestation efforts concentrated in the Sula State Forest after the fires of 2000. Therefore, classified forestland acreage on the Sula State Forest was used to allocate distributable revenues and costs by trust as follows.
8. The guarantee fund is the first funding for school Base Aid. Increases in revenue for Base Aid do not increase the state obligation for school district Base Aid and result in reductions in the amount of general fund required to fund school districts.

Projected Revenue		FY 2008	FY 2009	FY 2010	FY 2011
Reforestation - 500 acres	Gross Revenue	2,688	2,688	2,688	2,688
	Expenses	806	806	806	806
	Net Revenue	1,882	1,882	1,882	1,882
Riparian - 100 acres	Gross Revenue	-	860	860	860
	Expenses	-	258	258	258
	Net Revenue	-	602	602	602
Existing projects	Gross Revenue	-	2,688	6,236	9,784
	Expenses	-	806	1,871	2,935
	Net Revenue	-	1,882	4,365	6,849
Total	Gross Revenue	2,688	6,236	9,784	13,332
	Expenses	806	1,870	2,935	3,999
	Net Revenue	1,882	4,366	6,849	9,333
Distributable revenue and costs by trust					
Guarantee Account CS 95% of 36% (02)	Gross Revenue	919	2,133	3,346	4,560
	Expenses	276	640	1,004	1,368
	Net Revenue	644	1,493	2,342	3,192
Other - CS 5% of 36% Permanent Fund (09)	Gross Revenue	48	112	176	240
	Expenses	15	34	53	72
	Net Revenue	34	79	123	168
Other - Montana Tech 25% (71)	Gross Revenue	672	1,559	2,446	3,333
	Expenses	202	468	734	1,000
	Net Revenue	471	1,092	1,712	2,333
Other - Public Buildings 39% (05)	Gross Revenue	1,048	2,432	3,816	5,199
	Expenses	314	729	1,145	1,560
	Net Revenue	734	1,703	2,671	3,640
Total	Gross Revenue	2,688	6,236	9,784	13,332
	Expenses	806	1,870	2,935	3,999
	Net Revenue	1,882	4,366	6,849	9,333

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$807	\$1,871	\$2,936	\$4,000
<u>Funding of Expenditures:</u>				
General Fund	(\$643)	(\$1,493)	(\$2,342)	(\$3,192)
Guarantee Account (CS 95%) (02)	\$919	\$2,133	\$3,346	\$4,560
Other - CS 5% permanent Fund (09)	\$15	\$34	\$53	\$72
Other - Montana Tech (71)	\$202	\$468	\$734	\$1,000
Other - Public Buildings (05)	\$314	\$729	\$1,145	\$1,560
TOTAL Funding of Exp.	\$807	\$1,871	\$2,936	\$4,000
<u>Revenues:</u>				
Guarantee Account (CS 95%) (02)	\$919	\$2,133	\$3,346	\$4,560
Other - CS 5% permanent Fund (09)	\$48	\$112	\$176	\$240
Other - Montana Tech (71)	\$672	\$1,559	\$2,446	\$3,333
Other - Public Buildings (05)	\$1,048	\$2,432	\$3,816	\$5,199
TOTAL Revenues	\$2,687	\$6,236	\$9,784	\$13,332
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund	\$643	\$1,493	\$2,342	\$3,192
Guarantee Account (CS 95%) (02)	\$0	\$0	\$0	\$0
Other - CS 5% permanent Fund (09)	\$33	\$78	\$123	\$168
Other - Montana Tech (71)	\$470	\$1,091	\$1,712	\$2,333
Other - Public Buildings (05)	\$734	\$1,703	\$2,671	\$3,639

Long-Range Impacts:

Increased revenue will accrue to the trust beneficiaries by selling carbon or other ecosystem credits. These credits would provide another opportunity for additional revenue, while not conflicting with other activities on the same tract of land.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date